Appraisal Subcommittee

Federal Financial Institutions Examination Council

July 16, 2008

Clinton P. Sayers, Chairman Texas Appraiser Licensing and Certification Board P.O. Box 12188 Austin, Texas 78711-2188

Dear Mr. Sayers:

Thank you for your February 29, 2008 response to the Appraisal Subcommittee's ("ASC") December 26, 2007 field review letter regarding the Texas appraiser regulatory program ("Program"). Our December letter identified four areas that needed your attention. Based on your responses, it appears that the Texas Appraiser Licensing and Certification Board ("Board") is making progress toward bringing its program into substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI"). We appreciate Texas' continuing efforts in this area.

Following is a summary of the concerns identified during our field review, the necessary actions specified in our December 2007 field review letter, and the status of the Board's corrective actions based on information furnished to ASC staff. We will evaluate the State's progress towards curing our concerns when the staff returns in October 2008 for our next full field review of the Program.

• Texas' complaint investigation and resolution process continues not to comply with Title XI and ASC Policy Statement 10 because complaints are not investigated and resolved in a timely manner.

In our December 2007 letter, we acknowledged in detail the Board's efforts to reduce the backlog of outstanding complaints and process complaints in a timely manner. In your February 29th letter, you describe the Board's continued efforts to remedy this longstanding deficiency by: (1) reorganizing; (2) promoting the senior investigator to Division Director reporting directly to the Commissioner, with primary duties of directing complaint review and investigation; (3) making all investigators full-time employees; and (4) developing enforcement rules to streamline the process and guidelines for the assessment of administrative penalties and sanctions. Additionally, the Board and Management are looking into other ways to eliminate the backlog of aged cases.

We appreciate your efforts and hope that they will be successful in improving Texas' complaint investigation program and bringing it into compliance with Title XI and ASC Policy Statement 10. We expect to see a substantial reduction in the number of outstanding and aged complaints when we return for our full field review of your Program in the fall of 2008.

We will continue to closely monitor your progress. Please continue to provide electron complaint logs on a quarterly basis to Denise Graves at denise@asc.gov. Each complaint log should contain all complaints from 2000 to present (open and closed), identifying the: case

number; respondent; complainant; date the complaint was received; its current status; date the complaint was closed; and method of disposition.

• The State's temporary practice fee was excessive and did not comply with ASC Policy Statement 5.

In our December 26th field review letter, the ASC stated that Texas failed to comply with the temporary practice provisions of Title XI and ASC Policy Statement 5. The Board processed temporary practice applications in a timely manner, but charged a fee that exceeded the maximum established in ASC Policy Statement 5.

Title XI provides that a State shall not impose excessive fees, as determined by the ASC. ASC Policy Statement 5 currently provides that temporary practice fees exceeding \$150 per assignment are excessive. Since our previous field review, the State amended its regulations to increase its temporary practice fee from \$150 to \$180. To address this concern, the Board was directed to stop charging the \$180 temporary practice fee and to amend its regulations as soon as possible to reduce its temporary practice fee to \$150 or less.

We are pleased that the Board has initiated a rulemaking process to reduce its temporary practice fee to comply with Title XI and ASC Policy Statement 5. Please keep us informed on the status of the regulatory change and promptly provide us with a copy of the adopted regulation.

• Texas regulations allowed for 180-day deferral of continuing education for servicemen returning from active duty, which is inconsistent with AQB criteria.

We cited the State for this deficiency in our December 23, 2005 field review letter, November 1, 2006 follow-up review letter and our December 26, 2007 field review letter.

In your February 29th letter, you stated that the Board initiated a rulemaking process to amend its regulations to allow certified appraisers returning from active duty a deferral of the continuing education for up to 90 days.

Please keep us informed on the status of the regulatory change and promptly provide us with a copy of the adopted regulation.

 Texas did not review appraisal work product for each applicant for certification in violation of ASC Policy Statements 10F and 10G.

In our December 26th field review letter, the ASC discussed in detail Texas' statute which provides that the Board must accept affidavits for experience claims, and that the Board may audit no more than five percent of appraiser applicants. Texas has an automated system that designates every 20th application for audit. The audited applicant is directed to provide an experience log documenting the appropriate number of experience hours and months of practice. Staff then requests and reviews appraisal reports from each audited applicant. This process requires audited applicants to successfully complete the audit prior to receiving a certified

credential. Our December 26th letter also reminded the Board of ASC's Policy Statement 10F and new Policy Statement 10G.

In your February 29th letter, you advised us that to comply with ASC Policy Statement 10F and 10G, the Board staff would begin performing experience audits on 100% of the applications for certification received on or after February 1, 2008. By so doing, Texas now complies with ASC Policy Statement 10.

Our field review letter, your response, and any other previous correspondence between us regarding the field review now will become publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Vicki Ledbetter Acting Executive Director

cc: Timothy Irvine, Board Administrator